

Message Text

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ACTION NODS-00

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8748

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 07370

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FOR THE SECRETARY FROM UNDER SECRETARY ROBINSON

E.O. 11652: GDS

TAGS: ENRG, CIEC, FR

SUBJECT: MEETING WITH FOREIGN MINISTER SAUVAGNARGUES

MARCH 11, 1976

SUMMARY: I MET TODAY, MARCH 11, WITH FOREIGN MINISTER SAUVAGNARGUES AND FROMENT-MEURICE, DIRECTOR OF ECONOMIC AND FINANCIAL AFFAIRS OF THE FOREIGN MINISTRY, ACCOMPANIED BY AMBASSADOR RUSH, FOR ALMOST ONE HOUR. WE DISCUSSED THE CURRENT FINANCIAL NEEDS OF EGYPT, ZAIRE AND ZAMBIA. WE EXCHANGED VIEWS ON THE ALGERIAN POLITICAL SITUATION. WE ALSO DISCUSSED THE NORTH-SOUTH DIALOGUE AND THE DATES OF THE OECD MINISTERIAL. SAUVAGNARGUES SHARES OUR CONCERN REGARDING THE NEED FOR FINANCIAL SUPPORT FOR EGYPT AND IS PREPARED TO JOIN WITH US IN A CONSORTIUM-TYPE APPROACH TO MEET SADAT'S CURRENT EMERGENCY REQUIREMENTS. HE STRESSED FRENCH FINANCIAL LIMITATIONS, HOWEVER, AND IT APPEARS UNLIKELY THAT THEY WILL PROVIDE THE \$50 MILLION I SUGGESTED AS AN APPROPRIATE CONTRIBUTION. THEY WILL JOIN WITH US, HOWEVER, IN ESTABLISHING THE CONDITIONS FOR FINANCIAL AID WHICH WE CONSIDER ESSENTIAL TO MOVE EGYPT TOWARDS SOUND, LONG-RANGE ECONOMIC GROWTH. SAUVAGNARGUES INDICATED A WILLINGNESS TO CONSIDER COOPERATING IN EMERGENCY FINANCIAL ASSISTANCE TO ZAIRE, CONFIDENTIAL

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RECOGNIZING THAT ECONOMIC SUPPORT FOR THIS COUNTRY IS

PARTICULARLY IMPORTANT IN VIEW OF RECENT ANGOLAN DEVELOPMENTS. HE STRESSED THE NEED FOR POSITIVE INITIATIVES IN CIEC AND UNCTAD, PARTICULARLY IN THE FIELD OF COMMODITIES. HE EXPRESSED SYMPATHY IN MOVING THE DATE OF THE OECD MINISTERIAL TO WEEK OF JUNE 2L BUT CITED SOME PROBLEMS. END SUMMARY.

1. I REVIEWED WITH SAUVAGNARGUES IN SOME DETAIL OUR EVALUATION OF EGYPT'S CURRENT ECONOMIC PROBLEMS POINTING OUT THAT CONSIDERABLE PROGRESS HAD BEEN ACHIEVED DURING THE PAST YEAR IN DEVELOPING INCREMENTAL SOURCES OF INCOME FROM THE SUEZ CANAL AND ABU-RYDEIS OIL AND IN PRELIMINARY STEPS TO INTRODUCE NEW DISCIPLINE INTO EGYPT'S ECONOMIC PLANNING. HOWEVER, IN SPITE OF THESE STEPS, WE ANTICIPATE A CURRENT ACCOUNT DEFICIT ON THE ORDER OF \$1 BILLION AFTER THE US AID, ALREADY COMMITTED FOR THE CURRENT YEAR. WE DISCUSSED VARIOUS STEPS FOR MEETING THIS DEFICIT, INCLUDING RENEGOTIATION OF SHORT-TERM COMMERCIAL LOANS, IMF AND IBRD CREDITS, AND ADDITIONAL GRANTS FROM THE ARAB NATIONS, WHICH WE ANTICIPATED MIGHT COVER ALL BUT APPROXIMATELY \$200 MILLION OF THE PROJECTED DEFICIT. I EXPLAINED THAT WE WERE HOPEFUL THAT GERMANY, FRANCE AND JAPAN COULD MEET THIS REQUIREMENT AND SUGGESTED THAT \$50 MILLION WOULD BE AN APPROPRIATE CONTRIBUTION FROM THE FRENCH GOVERNMENT. SAUVAGNARGUES STRESSED THE IMPORTANCE OF PROJECT LOANS BUT INDICATED THAT THEY WERE RELUCTANT TO BECOME INVOLVED IN AN ANNUAL CURRENT-ACCOUNT-BALANCING EXERCISE WITH THE EGYPTIAN GOVERNMENT. ON THE OTHER HAND, HE ACCEPTED OUR VIEW THAT SUPPORT FOR SADAT DURING THE CURRENT CRISIS COULD BE BENEFICIAL IN SUPPORTING OUR COMMON INTERESTS IN ACHIEVING PEACE IN THE MIDDLE EAST. HE ASSURED US THAT HE WOULD GIVE THIS MATTER CAREFUL CONSIDERATION, WITH A VIEW TO DEVELOPING A MORE DEFINITIVE POSITION PRIOR TO SADAT'S VISIT, NOW SCHEDULED FOR LATE MARCH OR EARLY APRIL.

2. SAUVAGNARGUES AGREES WITH OUR POSITION THAT THE ECONOMIC STRENGTH OF ZAIRE AND ZAMBIA WILL BE IMPORTANT IN OUR EFFORTS TO STABILIZE THE ANGOLAN SITUATION. HE
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AGREES THAT THESE TWO COUNTRIES, PARTICULARLY ZAIRE, FACE IMMEDIATE FINANCIAL CRISES, WHICH DESERVE OUR CAREFUL ATTENTION. THE FRENCH ARE PREPARED TO COOPERATE WITH US IN THE DEVELOPMENT OF A SUPPORT PLAN, ALTHOUGH THIS WOULD BE IMPLEMENTED IN PART THROUGH BILATERAL ARRANGEMENTS. THEY ARE ALSO WILLING TO PARTICIPATE IN AN IMF/IBRD DEBT RESCHEDULING EXERCISE. SAUVAGNARGUES INDICATED THAT THEY WILL PLAN A MORE

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C O N F I D E N T I A L SECTION 02 OF 02 PARIS 07370

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SIGNIFICANT ROLE IN A ZAIRE ASSISTANCE EFFORT THAN IN THE CASE OF ZAMBIA, WHICH THEY CONSIDER LARGELY A PROBLEM FOR WHICH THE BRITISH SHOULD TAKE THE LEAD IN FINDING SOLUTIONS. WE AGREED TO KEEP IN TOUCH AS OUR IDEAS TAKE A MORE DEFINITIVE FORM.

3. SAUVAGNARGUES SHARED THE VIEW THAT THE POLISARIO PROBLEM COULD CONTINUE TO INCREASE IN THE SAHARA, AND THIS PRESENTS A CONTINUING THREAT TO STABILITY IN THE AREA. ALTHOUGH HE ACKNOWLEDGED THAT ALGERIAN SUPPORT OF THE POLISARIOS PUTS PRESSURE ON MOROCCO, HE FELT THAT THIS MIGHT HAVE AN OPPOSITE EFFECT THAN THAT CONTEMPLATED BY BOUMEDIENNE. HE FELT THAT KING HASSAN WAS USING THE THREAT FROM ALGERIA TO BUILD STRONGER CONTROL OVER THE MOROCCAN PEOPLE, WHO SEEMED TO BE UNIFYING OVER THE ALGERIAN CONFRONTATION. HE EXPRESSED THE VIEW THAT THIS WAS A REGIONAL PROBLEM WHICH, HOPEFULLY, WOULD BE RESOLVED BY THE DIRECT PARTICIPANTS THEMSELVES. AT THE SAME TIME, HE DID NOT MINIMIZE THE POTENTIAL FOR FURTHER DETERIORATION OF THE ALGERIAN-MOROCCAN SITUATION.

4. SAUVAGNARGUES INDICATED THAT HE WAS SYMPATHETIC TO YOUR DESIRE TO DEFER THE OECD MINISTERIAL MEETING TO WEEK OF JUNE 21, BUT INDICATED THAT THIS CONFLICTED WITH HIS SCHEDULED TRIP WITH GISCARD TO THE UK. I TOLD

HIM THAT I WOULD PASS THIS INFORMATION ON TO YOU. IT
IS CLEAR THAT HE WANTS TO BE COOPERATIVE AND IS IN NO
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WAY CRITICAL OF THE SUGGESTED CHANGE BUT DOES EXPRESS
THE HOPE THAT A SOLUTION MIGHT BE DEVELOPED WHICH WOULD
ALLOW HIS PARTICIPATION.

5. WE DISCUSSED CIEC AND THE NORTH-SOUTH
DIALOGUE NOW IN PROGRESS. HE FELT THAT IT WAS IMPORTANT
THAT WE DEVELOP SPECIFIC INITIATIVES, PARTICULARLY IN
THE COMMODITY FIELD, IF WE ARE TO MAINTAIN THE IMPROVED
ATMOSPHERE IN OUR RELATIONSHIPS WITH THE DEVELOPING
NATIONS. HE EXPRESSED THE VIEW THAT FRANCE WAS PREPARED
TO PROCEED FROM THE INITIAL PRODUCER-CONSUMER
FORUM ON COPPER INTO A DEFINITIVE COPPER AGREEMENT. I
ADVISED HIM THAT WE WERE WILLING TO PARTICIPATE IN THE
FORUM BUT THAT WE WERE NOT YET AT A POINT WHERE WE COULD

INDICATE AGREEMENT TO A COMMODITY AGREEMENT. HOWEVER,
I REPORTED THAT WE ARE REVIEWING THE OVERALL PROBLEM OF
FINANCING OF BUFFER STOCKS AND OF RESOURCE DEVELOPMENT
PROJECTS, WITH A VIEW TO ELABORATION OF A POSSIBLE
INITIATIVE IN THIS AREA, WHICH COULD BE OF BENEFIT TO
COPPER AS WELL AS OTHER COMMODITIES. THEY WERE
INTERESTED IN ANY IDEAS WHICH WE MIGHT DEVELOP IN THIS
AREA.

6. SAUVAGNARGUES EXPRESSED APPRECIATION FOR OUR
WILLINGNESS TO EXCHANGE VIEWS ON THESE ECONOMIC
ISSUES AND THE HOPE THAT WE COULD CONTINUE TO WORK
TOGETHER IN A COOPERATIVE MANNER IN THE FUTURE.
RUSH

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